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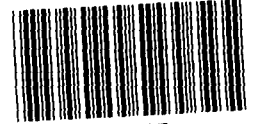
United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-253188

April 27, 1993

The Honorable J.J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives



149087

Dear Mr. Chairman:

In an August 21, 1992, letter to the Internal Revenue Service (IRS), the Subcommittee expressed concern about a particular type of correspondence sent to taxpayers. The Subcommittee's concern was that the correspondence, which IRS calls "interim letters," was inappropriate for the situation and likely to generate additional taxpayer inquiries. Specifically, the taxpayers had sent payments to IRS, but IRS' interim response did not acknowledge that a payment had been made and instead contained language thanking the taxpayers for their "inquiry." In a September 15, 1992, reply to you, IRS agreed with your concern and said that it was taking immediate action to change the interim letter. You asked us to determine if IRS had solved the problem.

To respond to your request, we reviewed the examples of interim letters you provided us and IRS' response to you describing the corrective actions taken. Then, at IRS' Cincinnati Service Center, we judgmentally sampled interim letters sent after IRS made its changes to see if the problem had been corrected.

RESULTS IN BRIEF

The problem has not been solved, primarily because IRS directed only one of several service center functions that correspond with taxpayers to correct its procedures. In 25 of 26 cases we reviewed from the other functions where taxpayers had written to IRS and sent payments, IRS' response did not acknowledge receipt of the payment. We also found several other instances of what we believe to be unclear responses to taxpayer letters that did not involve payments.

GAO/GGD-93-38R, IRS CORRESPONDENCE

057947/149087

One reason IRS did not respond appropriately was that IRS staff who prepare the letters did not choose appropriate language when composing the letters on IRS' computerized letter writing system. We will study this problem in more depth as part of the broader review of IRS correspondence issues we are doing for the Subcommittee.

BACKGROUND

Taxpayers write to IRS on a variety of matters, such as to send a payment, to request that a penalty be abated, or to provide information in response to an IRS notice. IRS sends interim letters to taxpayers to advise them when the matter in question will not be resolved within 30 days. IRS follows the interim letter with a final letter when the matter has been resolved.

IRS does not respond to all taxpayer correspondence involving payments. For example, it does not reply when a taxpayer makes a scheduled installment agreement payment or when a taxpayer responds to a balance due notice with a payment in full. IRS officials reason that unless another matter is involved, a response in these circumstances is costly and unnecessary because the taxpayer's cancelled check serves as a receipt. Our work focused on those types of payments in which IRS chose to respond to the taxpayer.

WHAT IRS DID TO CORRECT THE PROBLEM

In replying to your letter, IRS enclosed a proposed change to the interim letter and said that service centers were being instructed to begin using it immediately. (See enclosure I). Shortly thereafter, IRS' National Office directed the underreporter functions¹ in each of its service centers to begin acknowledging taxpayer payments when a case was not closed within 30 days. Although other service center functions--such as those functions that process taxpayer responses to collection notices or handle correspondence relating to taxpayer account adjustments--also correspond with taxpayers, IRS officials apparently limited the change to the underreporter function because they believed the examples you provided originated there.

THE PROBLEM STILL OCCURS

To determine what changes had occurred in interim letters at the service center level, we obtained copies of interim letters sent out by the different correspondence functions in the Cincinnati Service Center. The underreporter function was not using the

¹Service Center underreporter functions are responsible for notifying taxpayers of possible discrepancies between income they reported on their tax returns and income reported by payers of income on information returns.

interim letter as directed by the National Office. Instead, it was using a more generic letter that thanked taxpayers for their "correspondence." While this letter did not directly acknowledge a payment, we believe in most instances taxpayers would not be confused after receiving it.

A more serious problem exists, however, in the other Cincinnati Service Center functions that correspond with taxpayers. We looked at 78 interim letters that were mailed to individual taxpayers from the account adjustment and collection functions on April 6, 1993. We matched the interim letters with the incoming taxpayer letters.

In assessing whether IRS had responded appropriately, we grouped the letters into three categories, (1) those where a taxpayer's payment was not acknowledged (similar to the examples you had provided us), (2) those that did not involve a taxpayer payment but where IRS did not respond appropriately, and (3) those where IRS sent an appropriate response. Table 1 shows our results.

Table 1: Analysis of IRS Interim Letter Responses to Taxpayer Correspondence

Reason taxpayer wrote to IRS	Number of appropriate IRS responses	Number of inappropriate IRS responses	Total number of IRS responses
To send a payment	1	25	26
Other (see discussion below)	42	10	52
Total	43	35	78

In 25 of 26 cases IRS staff did not acknowledge receipt of the taxpayer's payment. Instead, IRS either responded "Thank you for your inquiry", or "Thank you for the information you submitted." Depending on the situation, the staff could have more appropriately responded

"Thank you for your inquiry dated ----, and your payment of \$----",

"Thank you for your payment of \$--- and your response dated ---- to our inquiry concerning your account", or

"Thank you for your payment of \$--- and your Form ---- for this account."

Enclosure II shows examples of taxpayer payment letters and the interim letters sent to the taxpayers by IRS. We have also annotated IRS' letter with what we believe would have been a more appropriate response. We limited our proposed changes to the

B-253188

We do not know why IRS staff are using inappropriate paragraphs in preparing responses to taxpayers. Our review was very brief and limited to 1 of IRS' 10 service centers. As noted earlier, we will examine the issue in more depth as we continue work for the Subcommittee on IRS' efforts to improve its correspondence practices. Some of the points we intend to look into are (1) the training and instructions given to the staff who prepare letters to taxpayers, (2) the availability of computer terminals so the staff can review letters they prepare, (3) the costs involved in tailoring interim letters to specific taxpayer situations, and (4) communications about the requirements and standards for interim letters between IRS' National Office and the service centers.

If you have any questions about this letter, please contact me on (202) 512-5407.

Sincerely yours,



Jennie S. Stathis
Director, Tax Policy and
Administration Issues

Enclosures - 4

IRS REPLY LETTER AND PROPOSED CHANGE TO THE INTERIM LETTERFigure I.1: IRS Reply Letter

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

RECEIVED

SEP 15 1992

SEP 18 1992

The Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
United States House of Representatives
Washington, D.C. 20215

Ways and Means
Subcommittee on Oversight

Dear Chairman Pickle:

Commissioner Peterson has asked me to respond to your letter dated August 21, 1992, concerning taxpayers who received an inappropriate form letter from the Philadelphia Service Center in response to their tax payments. A copy of your letter is enclosed for your ready reference.

The form Letter 2645-C is generally used as an interim response when the Service is unable to complete all necessary actions within thirty days from the date we receive correspondence from taxpayers. These actions may include adjusting taxpayer accounts to reflect any proposed tax increases that taxpayers agreed to and for which they enclosed payment. Although taxpayer accounts are credited immediately for any payments received, it may take several weeks before the case review is completed and the related debit transactions are posted. At that time, the Service issues a "settlement" notice to taxpayers notifying them that the case is closed.

We agree that the Letter 2645-C, in its present form, is inappropriate for acknowledging receipt of a taxpayer's full payment. We have drafted an improved interim response to address this situation, and will issue instructions to all service centers to begin using it immediately. A sample of the revised interim response is also enclosed for your information.

We are confident that the measures described above will effectively address the problem created by the shortcomings in the current version of Letter 2645-C. We apologize for any inconvenience that taxpayers may have experienced as a result of the inappropriate use of this letter, and thank you for bringing the matter to our attention.

Sincerely,

Beverly A. Stovell
Director, Returns Processing
and Accounting Division

Enclosures
as stated

Source: IRS Cincinnati Service Center.

Figure I.2: Proposed Change to the Interim Letter

Department of the Treasury
Internal Revenue Service
Philadelphia, PA 19255

SAMPLE OF REVISED INTERIM RESPONSE

John Taxpayer
22 Main Street
Citytown, xx xxxxx

Taxpayer Identification Number: xxx-xx-xxxx
Tax Period: Dec. 31, 1991
Form: 1040

Dear Mr. Taxpayer:

Thank you for your payment of \$100.00 and your response of June 1, 1992 to our inquiry concerning this account.

We have posted the payment to your account. Because your payment arrived at the same time we received a large volume of correspondence from other taxpayers, we haven't yet been able to complete our processing of your case. When we do, we will send you a final settlement notice. You should receive this notice within 30 days. You do not need to take any further action at this time.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call J. Jones between the hours of 8:00AM and 4:00PM at XXX-XXX-XXXX for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Whenever you write, please include your telephone number, the hours you can be reached, and this letter. Your may also want to keep a copy of this letter for your records.
Your Telephone Number _____ Hours _____

We apologize for any inconvenience we may have caused you, and thank you for your cooperation.

Sincerely yours,

Name of IRS Manager
Chief, Processing Section

Enclosure:
Copy of this letter

Source: IRS Cincinnati Service Center.

ENCLOSURE II

ENCLOSURE II

EXAMPLES OF TAXPAYERS' PAYMENTS NOT ACKNOWLEDGED
IN IRS' RESPONSES

Figure II.1: Taxpayer's Letter to IRS

March 19, 1993

Department of the Treasury
Internal Revenue Service
Cinc. Ohio

Gentlemen:

On March 17, 1993, I received a "Request for Payment" notice in the sum of \$524. This is the amount that I submitted with my 1992 tax return on February 8, 1993, check [REDACTED]. Yesterday, I checked with my bank and was informed that my check had not cleared as of March 18. I am submitting another check for \$524, [REDACTED]. Should my original clear before April 15, I will add it to my estimated tax payment for 1993.

Yours truly,

P.S. Please acknowledge receipt of this payment.

[REDACTED]
MAR 29 1993
CINCINNATI SERVICE CENTER

Source: IRS Cincinnati Service Center.

Figure II.2: IRS Response to Taxpayer's Letter



Department of the Treasury
Internal Revenue Service

CINCINNATI, OH 45999

In reply refer to: 1760806023
Apr. 06, 1993 LTR 2645C
[REDACTED] 9212 30 000
Input Op: 1760806023 00579

TAXPAYER ACCOUNT
Taxpayer Identification Number: [REDACTED]
Tax Period(s): Dec. 31, 1992

Form: 1040

Dear Mr. & Mrs. [REDACTED]

Thank you for your inquiry dated Mar. 19, 1993.

We had hoped to inform you that this matter had been resolved. However, at this point, we have not yet been able to complete all the research we need to give you a full response. We will contact you again within 30 days to let you know what action we are taking. You do not need to do anything further at this time.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call D. Faber between the hours of 5:00 P.M. and 10:00 P.M. at 606 292-5166 for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Source: IRS Cincinnati Service Center.

GAO REVISION

We would revise the first paragraph of figure II.2 to read "Thank you for your payment of \$524.00 and your response dated March 19, 1993, to our inquiry concerning this account."

Figure II.3: Taxpayer's Letter to IRS

3-25-93
 INTERNAL RECEIVED WITH RECEIPT
 03294 300.00
 To whom it may concern,
 We are running behind on
 payments because my husband's work
 slowed down since the beginning
 year. This is my February payment
 I will make my March payment on April 18th
 and my April payment on April 26th then that
 will catch us up. Could we please have our
 payment agreement reinstated?

Thank You

16

Source: IRS Cincinnati Service Center.

Figure II.4: IRS Response to Taxpayer's Letter



Department of the Treasury
Internal Revenue Service

P.O. BOX 145500
CINCINNATI OH 45250-0000

In reply refer to: 1771302006
Apr. 06, 1993 LTR 2645C
██████████ 8612 30 000
Input Op: 1771605283 00647

██████████
██████████
██████████

TAXPAYER ACCOUNT

Taxpayer Identification Number: ██████████
Tax Period(s): Dec. 31, 1986 Dec. 31, 1989
Dec. 31, 1990 Dec. 31, 1991
Form: 1040

Dear Taxpayer:

1 Thank you for the information you submitted. We will contact you again within 30 days to let you know what action we are taking. You don't need to send us anything further at this time.

We have given instructions to stop any further notices on this account from being sent to you while we do the necessary research. However, if you receive any more notices before we can give you a complete response, please disregard them.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call Ms. Mills between the hours of 8:00 a.m. and 2:00 p.m. at 606-292-5184 for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Source: IRS Cincinnati Service Center.

GAO REVISION

We would revise the first paragraph of figure II.4 to read

"Thank you for your inquiry dated March 25, 1993, and your payment of \$300.00.

We will contact you again within 30 days to let you know what action we are taking. You do not need to send us anything further or take any other action at this time."

Figure II.6: IRS Response to Taxpayer's Letter

Department of the Treasury
Internal Revenue Service
P.O. BOX 145500
CINCINNATI OH 45250-0000

In reply refer to: 1771302006
Apr. 06, 1993 LTR 2645C
8712 30 000
Input Op: 1771605283 00663

TAXPAYER ACCOUNT

Taxpayer Identification Number: _____
Tax Period(s): Dec. 31, 1987 Dec. 31, 1988
Dec. 31, 1989
Form: 1040

Dear Taxpayer:

1 Thank you for the information you submitted. We will contact you again within 30 days to let you know what action we are taking. You don't need to send us anything further at this time.

We have given instructions to stop any further notices on this account from being sent to you while we do the necessary research. However, if you receive any more notices before we can give you a complete response, please disregard them.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call Ms. Mills between the hours of 8:00 a.m. and 2:00 p.m. at 606-292-5184 for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Source: IRS Cincinnati Service Center.

GAO REVISION

We would revise the first paragraph of figure II. 6 to read

"Thank you for your payment of \$442.00 and your Form 9358 for this account.

We had hoped to inform you that this matter had been resolved. However, at this point, we have not yet been able to complete all the research we need to give you a full response. We will contact you again within 30 days to let you know what action we are taking. You do not need to do anything further at this time."

EXAMPLES OF OTHER INAPPROPRIATE IRS RESPONSES TO TAXPAYERS

Figure III.1: Taxpayer's Letter to IRS

February 23, 1993

Internal Revenue Service
Cincinnati, OH 45999

SERVICE CENTER BUREAU
CINCINNATI, OH

Re: _____ (1992 Tax Return)

SS # _____

Dear Sir:

On 2-20-93 I mailed my 1992 (Federal Corrected Tax Return to the IRS in Cincinnati OH.) with a check for \$387.00 and I forgot to attach a copy of my W-2 forms, therefore I am enclosing a copy of my W-2 forms for your records.

If you have any questions regarding this, please let me know.

Sincerely,

ENCLOSURES:

GENERAL MOTORS CORPORATION

1 Employer's name, address and ZIP code		7 Amount paid		8 Employer's social security number		9 Address SIC system	
2 Employee's name, address and ZIP code		10 State income tax		11 Federal income tax withheld		12 Federal income tax	
3 Employee's social security number		13 Unemployment taxes		14 State income tax withheld		15 State income tax	
4 Employee's name, address and ZIP code		16 Social Security number		17 Medicare wages and tax		18 Medicare tax	
5 Employee's name, address and ZIP code		19 Social Security number		20 State income tax		21 State income tax	
6 Employee's name, address and ZIP code		22 Social Security number		23 State income tax		24 State income tax	
25 Supplemental wage benefits		26 Labor income tax		27 Labor income tax		28 Name of issuer	
0.00		227.93		22,786.64		22,786.64	

Form W-2 Wage and Tax Statement 1992
 The information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a copy of this form is required to be attached to your return. If you are not required to file a tax return, you may wish to retain a copy of this form for your records.

Source: IRS Cincinnati Service Center.

Figure III.2: IRS Response to Taxpayer's Letter



Department of the Treasury
Internal Revenue Service

CINCINNATI, OH 45999

In reply refer to: 1757605979

Apr. 06, 1993 LTR 2645C

9212 30 000

00135

TAXPAYER ACCOUNT

Taxpayer Identification Number: [REDACTED]
Tax Period(s): Dec. 31, 1992

Form: 1040

Dear Taxpayer:

¹ Thank you for your inquiry dated Feb. 23, 1993.

² We had hoped to inform you that this matter had been resolved. However, at this point, we have not yet been able to complete all the research we need to give you a full response. We will contact you again within 30 days to let you know what action we are taking. You do not need to do anything further at this time.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call L. Perry between the hours of 7:30 A.M. and 3:00 P.M. at 606-292-5200 for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Source: IRS Cincinnati Service Center.

GAO REVISION

We would revise the first paragraph of figure III.2 to read

"Thank you for your Form W-2 for this account.

We will contact you again within 30 days to let you know what action we are taking. You do not need to send us anything further or take any other action at this time."

Figure III.3: Taxpayer's Letter to IRS

Dear Sirs.

We would like to combine our
tax payments for the years of 12-31-41-12-30-42
11-30-43, on one payment of \$1.00 per month payment
plan, the third week of the month on a Friday.
Please respond thank you.

(7)

Source: IRS Cincinnati Service Center.

Figure III.4: IRS Response to Taxpayer's Letter

Department of the Treasury
Internal Revenue Service

P.O. BOX 145500
CINCINNATI OH 45250-0000

In reply refer to: 1771301605
Apr. 06, 1993 LTR 2645C
[REDACTED] 9012 30 000
Input Op: 1771605203 00621

TAXPAYER ACCOUNT

Taxpayer Identification Number: [REDACTED]
Tax Period(s): Dec. 31, 1990 Dec. 31, 1991

Form: 1040

Dear Taxpayer:

¹ Thank you for the information you submitted. We will contact you again within 30 days to let you know what action we are taking. You don't need to send us anything further at this time.

We have given instructions to stop any further notices on this account from being sent to you while we do the necessary research. However, if you receive any more notices before we can give you a complete response, please disregard them.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call Ms. Mills between the hours of 8:00 a.m. and 2:00 p.m. at 606-292-5184 for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Source: IRS Cincinnati Service Center.

GAO REVISION

We would revise the first paragraph of figure III.4 to read

"Thank you for your inquiry dated _____, 1993.

We will contact you again within 30 days to let you know what action we are taking. You do not need to send us anything further or take any other action at this time."

IRS INTERIM LETTER

Department
of the
Treasury

Transmittal Number: 92-12
Date of Issue: 11-13-92

Originating Office: R:R:T
Form Number: 2645C

IDRS
CORRESPONDEX

Internal
Revenue
Service

Title: Interim Response

Number of Copies: Original and 1
Distribution to: 2 to T/P
Former Letter: 2645C (Rev. 12-91)

OMB Clearance Number: -
Expires: IMF/BMF

Letters Considered in Revision:

TAXPAYER ACCOUNT

A) Taxpayer Identification Number: [01 12T]
Tax Period(s): [02 13P] [03 13P] [04 13P] [05 13P]
B) Form: [06 9V]

Dear [-30V]

- C) Thank you for your inquiry [07 5V] [08 13D].
- D) Thank you for your inquiry [09 5V] [10 13D], and your payment of \$[11 12\$].
- E) Thank you for your response [12 5V] [13 13D], to our inquiry concerning this account.
- F) Thank you for your payment of \$[14 12\$] and your response [15 5V] [16 13D], to our inquiry concerning this account.
- G) Thank you for your Form(s) [17 9V] for this account.
- H) Thank you for your payment of \$[18 12\$] and your Form [19 9V] for this account.
- I) This is in response to the correspondence dated [20 13D], from [21 20V]. We have no record that [22 20V] is authorized to act for you in this matter. Please notify [23 20V] that we have replied directly to you.
- J) We had hoped to inform you that this matter had been resolved. However, we need to review your original tax [24 7V]. Since [25 8V] located in another office, it will be [26 2M] days before we can give you a

Letter 2645C (Rev. 09-92)

Department of the Treasury	Page Number	Transmittal	Date of Issue	Form Number
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Internal Revenue Service	IDRS CORRESPONDEX
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complete response.

- K] If you wish to expedite this process by faxing a copy of your tax [27 TV] to us, you may do so by using FAX Number [28 12V]. You will also need to fax this letter to help us identify your case.
- L] We had hoped to inform you that this matter had been resolved. However, we need to verify information with copies of original Forms W-2. Since we had to request these copies from another office, it will be [29 2N] days before we can provide you with a complete response. You do not need to take any further action at this time.
- M] We had hoped to inform you that this matter had been resolved. However, we need to obtain information from the [30 22V] and are waiting for their reply. It will be [31 2N] days before we can provide you with a complete response. You do not need to take any further action at this time.
- N] We had hoped to inform you that this matter had been resolved. However, at this point, we have not yet been able to complete all the research we need to give you a full response. We will contact you again within [32 2N] days to let you know what action we are taking. You do not need to do anything further at this time.
- O] We had hoped to inform you by now that this matter had been resolved. However, because we received a large volume of similar inquiries at the same time, we haven't yet been able to complete our review of the information you submitted. We will contact you again within [33 2N] days with an answer to your inquiry. You do not need to take any further action at this time.
- P] We had hoped to inform you that this matter had been resolved. However, because we received a large volume of similar responses at the same time, we haven't yet been able to complete our review of the information you submitted. We will contact you again within [34 2N] days to let you know what action we are taking. You do not need to take any further action at this time.
- Q] Thank you for the information you submitted. We will contact you again within [35 2N] days to let you know what action we are taking. You don't need to send us anything further at this time.
- R] We will contact you again within [36 2N] days to let you know what action we are taking. You do not need to send us anything further or take any other action at this time.

Letter 2645C (Rev. 09-92)

Department of the Treasury	Page Number	Transmittal	Date of Issue	Form Number
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Internal Revenue Service	IDRS CORRESPONDEX
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- S] The current balance due for the tax period [37 13P] is \$[38 12S], which includes penalty and interest figured to [39 13D]. We will continue to charge penalties and interest until the balance due is paid in full.
- T] Your installment agreement is still in effect, so please continue to make your scheduled payments.
- U] We have given instructions to stop any further notices on this account from being sent to you while we do the necessary research. However, if you receive any more notices before we can give you a complete response, please disregard them.

If you have any questions about this letter, please write to us at the address shown on this letter. You may call [40 20V] between the hours of [41 10V] and [42 10V] at [43 12V] for assistance. If the number is outside your local calling area, there will be a long-distance charge to you. If you prefer, you may call the IRS telephone number listed in your local directory. An employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

Whenever you write, please include your telephone number, the hours you can be reached, and this letter. You may also want to keep a copy of this letter for your records.

Your Telephone Number _____ Hours _____

- V] We apologize for any inconvenience we may have caused you, and thank you for your cooperation.

Sincerely yours,

[44 35S]
[45 35S]

Enclosure:
Copy of this letter

Letter 2845C (Rev. 09-92)

Department of the Treasury	Page Number	Transmittal	Date of Issue	Form Number
	4	92-12	11-13-92	2645C

Internal Revenue Service IDRS CORRESPONDEX

NOTE: In fill-ins 07, 09, 12, or 15, use "dated" for correspondence or "of" for telephone calls

NOTE: In fill-ins 21, 22, 23, use "your accountant", "your representative", "your attorney", or individual's name

NOTE: In fill-ins 24, 27 use "return", or "returns"

NOTE: In fill-in 25, use "it is", or "they are"

NOTE: In fill-in 30, use the name of another government agency, federal or state, etc.

Letter 2645C (Rev. 09-92)

(268565)

standardized paragraphs available for interim letters in IRS' computerized letter writing system.

We also identified other inappropriate IRS responses to taxpayer letters that did not involve payments. These taxpayer letters included, for example, requests for IRS to abate a penalty, change an installment agreement, or provide information about a refund. In 10 of 52 cases, we believe that IRS could have used different wording to make the letter clearer to the taxpayer. For example, one interim letter began with "Thank you for the information you submitted", when the taxpayer had asked if IRS could arrange an installment agreement. (See p. 16) A more appropriate wording choice would have been

"Thank you for your inquiry dated ----."

In other examples we thought inappropriate, taxpayers were responding to IRS requests for information (forms, supporting documentation), and IRS' interim letter responded with "Thank you for your inquiry dated ----." A more appropriate response would have been

"Thank you for your response dated ---- to our inquiry concerning this account", or

"Thank you for your Form(s) ---- for this account."

Enclosure III provides examples of these problems, including the taxpayer's letter, IRS' interim response to the taxpayer, and our suggested wording.

REASONS FOR THE PROBLEM

We identified two reasons IRS did not respond appropriately to the taxpayer letters in our sample. The most obvious reason is that IRS' National Office focused only on the underreporter function when acting in response to your August 21, 1992, letter. Second, staff who prepared the letters did not choose the appropriate language when using IRS' letter writing system.

IRS tax examiners and clerical staff use IRS' computerized letter writing system to write interim letters. The letter writing system contains about 350 standardized letters designed to respond to a variety of taxpayer situations. Staff can tailor each letter to specific taxpayer situations by choosing from a set of standardized paragraphs. In our sample cases, staff chose the types of paragraphs discussed above when they should have chosen other more appropriate paragraphs that were available. Enclosure IV shows the interim letter format and the different paragraph choices.